

Bank of McKenney Code of Conduct

CONFIDENTIAL NATURE OF BANKING

Since banking entails the safekeeping of customers' money, there is no profession where honesty, integrity, and high standards of conduct are more important. We must at all times respect the confidential nature of banking.

DIRECTORS' CODE OF CONDUCT

As a representative of the Bank, certain responsibilities are placed upon directors. Directors learn of, deal with and make decisions based on confidential information. They should continue to serve as examples in maintaining the confidentiality of that information to employees and to the community. As representatives of the Bank, public confidence in the institution begins with its leadership.

Additionally, they are elected to serve the needs of the stockholders, the community, the Bank's customers, and employees — not to serve the financial needs of the directors. Legal, regulatory, and ethical considerations make it mandatory that directors avoid most of the conflict of interest situations outlined above for employees. In addition, Directors must:

- Avoid involvement of any kind in the credit approval process when the credit being considered will directly or indirectly benefit the director. (This policy includes loans, overdrafts, immediate credit funds, and any other form of credit.)
- Disclose to the CEO and to the Board any actual or potential conflicts of interest as soon as the situation arises. (This includes disclosures of any material interest in the business of a borrower, an applicant, or other Bank customer. It also includes any gift or monetary offers made for the purpose of influencing a Bank decision.)
- Use only arm's length transactions when buying, selling, or leasing assets or services to the Bank. (It is Bank policy to contract for assets and services using only arm's length transactions that are in the best interest of the Bank. Directors are asked to honor this policy and to refrain from asking for special considerations as the Bank contracts for assets or services)

Each Director, upon election to the Board of Director's of Bank of McKenney shall be required to acknowledge their responsibilities under the Director's Code of Conduct.

A BANKER'S PROFESSIONAL CODE OF ETHICS

No profession or industry has maintained higher standards of conduct nor provided greater public service than the banking industry. Banks have traditionally recognized their duty to act in a manner of public trust and confidence. A bank's reputation for integrity is perhaps its most valuable asset and is determined by the conduct of its officers and employees. Therefore, each of us must strive to avoid situations that raise questions of ethics between the staff member and the Bank, or its shareholders or customers.

The following is our Bank's official policy. All officers and employees are expected to adhere to both the letters and the spirit of this policy. If there is anything in this code that will cause an employee difficulty, the problem should be discussed with the CEO. Exceptions will require prior written approval by the president. Until the CEO has granted a written waiver, all staff members are expected to comply with the provisions of the Code of Conduct and Conflict of Interest policies discussed in this handbook.

CODE OF CONDUCT AND CONFLICT OF INTEREST

While the Bank encourages employees to participate in various civic and professional organizations, it is important that the Bank's ethical standards for employees are not compromised and that conflicts of interest are avoided. Business relationships must be carefully scrutinized to avoid even the appearance of impropriety. If any staff member, officer or director is unclear of the impact of the Bank's policies upon a personal, non-Bank situation, it is important to seek guidance from Bank management prior to entering into that transaction or situation.

1. CONFLICT OF INTEREST— BANK TRANSACTIONS - A conflict of interest exists whenever a staff member has a financial interest, direct or indirect, with a customer doing business with the Bank, and in the opinion of the Bank, that interest is of such extent that it might affect his judgment or decision on behalf of the Bank.

A Bank officer or staff member shall not represent the Bank in any transaction in which he has any material connection or substantial interest. Specifically, a material connection includes the involvement of any family member. Family members include spouse, son, daughter, father, mother, brother, sister, father-in-law, mother-in-law, daughter-in-law, son-in-law, brother-in-law, sister-in-law, grandparent, grandchild, niece, nephew, cousin or any members of a household from this list of relatives. Transactions involving close personal friends may also provide potential for such conflict of interest.

The term "transaction" for purposes of this policy, includes but is not limited to, approval of bank overdrafts, authorizing or accepting checks on uncollected funds, waiving bank charges, late charges or other fees. It also includes making loans, waiving financial statements or any similar type of activity.

The Bank shall interpret the definition of "*substantial financial interest*" and "*material connection*" on a case-by-case scenario, as each different situation may give rise to a different interpretation of this phrase.

No officer or staff member shall acquire for the Bank any service, goods, equipment, machinery, property or securities from a firm, broker, vendor, or contractor in which he has a substantial financial interest or material connection as defined herein without first advising the Bank's President in writing.

2. PERSONAL AFFAIRS — Because of the great element of trust involved in the job, Bankers are usually more subject to public censure for bad habits or mismanagement of their personal lives than those engaged in other professions. The staff member, therefore, has a responsibility to conduct his personal affairs in such a manner, which avoids any unfavorable reflection upon the Bank and enhances the confidence of our customers.

The conscientious staff member will use common sense, good ethical standards and discretion as a guide to proper personal conduct.

If in the judgment of the Bank's management, a staff member fails to maintain these standards of personal conduct, appropriate disciplinary action, which may include termination of employment, will occur.

3. BUSINESS DEALINGS WITH CUSTOMERS — The Bank encourages staff members to patronize any customer engaged in legitimate professional or business activities. However, the staff member must not use information obtained through his connection with the Bank, in any way, while dealing with this customer. Particularly prohibited is the use of Bank information to obtain special terms or price concessions.
4. REQUESTS FOR PROFESSIONAL ADVICE — Customers may request that bank employees refer them to a particular professional (attorney, accountant, etc.). With prior approval of management, the employee may provide a list of qualified professionals from which the customer may select. Otherwise, bank employees must not provide positive nor negative information or endorsements regarding professionals. Additionally, employees are prohibited from giving advice or opinions regarding matters which require specialized knowledge, training and experience unless they are

properly licensed and are providing such advice in the ordinary course of their employment with the bank (legal, investments, tax, accounting, etc.).

5. OUTSIDE EMPLOYMENT — Staff members who desire employment unrelated to their work at the Bank must carefully avoid conflicts regarding employment transactions, hours of work or any other potential issue which may interfere with Bank activities. You must bear in mind that your commitment to the Bank is your first responsibility. Although you normally work certain hours, making you available for employment, you must remember on occasions your job may create extra demand upon your time, and you must be available for that commitment first. You must notify your supervisor that you are seeking employment in a supplemental job. If you do not secure permission, you are subject to dismissal. Permission will not be granted for employment with a competitive company or corporation.
6. COMMUNITY INVOLVEMENT — Because we believe that growth and progress of our Bank depends on the growth and progress of our community; we encourage staff members to take an active role in civic and community organization and projects. These outside activities make our community a better place in which to live and work. The Bank is proud to have its staff members involved in such endeavors. If time away from work is anticipated, it is important to obtain prior approval from your supervisor.
7. POLITICAL INVOLVEMENT - Staff members participating in political activities do so as individuals and not as representatives of the Bank. The Bank's name may not be used in any manner, nor may political contributions be made in the name of the Bank. No entertainment endeavor may be conducted so as to be construed as a bribe of a public official.

Any employee desiring to run for elective political office or to accept an appointment to a governmental office should inform the Bank's President in order to insure that the duties of that office and possible time away from the job will not create a conflict with the Bank's expectations.

8. CONFIDENTIAL INFORMATION – Employees are required to comply with the provisions of Federal and State law regarding the maintenance and disclosure of certain customer information. For example, reporting specified currency and other funds transactions under the Bank Secrecy Act is mandatory. Except for the requirements of such legal mandates, confidential information pertaining to any of the Bank's customers, prospective customers, products or procedures may not be revealed to any persons outside of the Bank except by court order, nor used in any manner for personal gain. Inside financial or other material information regarding the Bank is not to be released to any person or entity without prior written approval from the President. Further, under no circumstances may a staff member obtain or knowingly assist others to obtain unauthorized confidential information about any individual, nor perform any unauthorized computer function or knowingly provide inaccurate, misleading, altered or incomplete information regarding any account document.
9. MISAPPROPRIATION OF BANK PROPERTY - It is inappropriate for an officer or staff member to use corporate materials such as official stationary, equipment, manpower or any other assets for personal or non-job related purposes.
10. LOANS — Employees are discouraged from making personal loans to one another and with customers. When requests are made for an extension of credit from the Bank to close relatives of employees and/or to entities in which an employee has direct or indirect financial interest or material connection, such requests must be considered and acted upon entirely by staff members other than those having a relationship with the borrower.

Requests from customers, prospective customers, suppliers and vendors will be considered without regard to race, disability, veteran status, national origin, age or sex. Such decisions will be based strictly on business reasons.

11. INVESTMENTS — It is improper for a Bank officer or employee to invest in a Bank customer's business unless the interest is acquired through an organized exchange, and the Bank has no access to confidential information. It is improper for a Bank officer or employee to subscribe to new issues of stock in a Bank customer's business. Major exchanges require that members avoid handling

speculative accounts of Bank employed persons without consent of the employer. Speculative investments such as margin buying, short accounts, puts, calls, or combinations are discouraged. No Bank officer or employee will invest in a customer's business or enable others to do so as result of inside information.

There are no restrictions placed on investing in U.S. government securities, municipal bonds, or mutual funds.

12. PROHIBITION OF CERTAIN GIFTS, FEES, LEGACIES AND LOANS — The Crime Control Act of 1984 makes it a felony for a Bank employee to accept gifts in exchange for favorable treatment in a Bank transaction. Staff members or officers will not accept fees or gifts from customers of the Bank, including commissions, special discounts or other forms of compensation when such fees or gifts are offered as a gratuity for giving or referring business to the customer. Small token gifts of appreciation at Christmas are acceptable if the cash value of the gift is minimal. Under Federal guidelines, it is a felony to accept gifts having values of \$100 or more; accepting smaller gifts is a misdemeanor.
- a. An officer or employee may not accept a loan from a Bank customer or supplier. This prohibition does not apply to loans from banks or other financial institutions on customary terms to finance proper credit needs such as home mortgage and consumer credit loans. All officers must report within ten days to the CEO or CFO any borrowing from other Banks.
 - b. An officer or employee may not receive anything of value for making a loan.
 - c. An officer or employee may not accept a fee for performance of any act that the Bank could have performed.
 - d. It is improper for an officer or employee to accept a gift from a customer, supplier or from any other person or business seeking a business relationship with this Bank. This prohibition does not apply to gifts from relatives, food or entertainment at a luncheon or business meeting, advertising or promotional materials of nominal value, awards by civic, or charitable organizations, or gifts of nominal value on special occasions such as Christmas. Nominal value is a value that would be within the ability of the officer or employee to reciprocate, on a personal basis or with legitimate claim for reimbursement under similar circumstances.
 - e. A loan officer will not sell anything to a customer at a value in excess of its worth, nor will he or she purchase anything from a customer at a value below its worth.
 - f. A loan officer will refuse any legacy or bequest. They will also refuse to serve personally as executor, trustee, or guardian of an estate or trust of a Bank customer except where the customer is a close relative of the officer. If this should happen without the officer's prior knowledge, the president is to be notified in writing.
 - g. An officer or employee may not do indirectly what he or she is prohibited from doing directly, to include but not limited to arranging to have a member of his/her family accept a gift from a customer.
 - h. An officer or employee of the Bank should decline any gift, activity or transaction when there would be even the slightest implication of influence of future business dealings.
 - i. ***Under no circumstances shall any employee take any action on any account or perform any other bank transaction in which that employee has a direct or indirect financial or other interest.***
13. ILLEGAL ACTIVITIES — Staff members may not engage in any illegal activities as defined by Federal, State and local laws. Payments in the form of bribes or kickbacks to staff members, officers or directors are prohibited. No employee may knowingly make any false or misleading statement. An employee may not engage in nor condone a check-writing scheme where a depositor takes advantage of the "float" to fund an interest free loan from the Bank. Such a scheme may occur in numerous ways for example:
- Cashing a check outside the Bank where there are insufficient funds in the checking account to cover the check.

- Using an ATM to obtain funds, which are not on deposit in the account.

If in the opinion of the Bank, any staff member, officer or director violates any of the provisions of this policy, severe and appropriate disciplinary action will occur. Such disciplinary action may include immediate termination of employment.

PERFORMANCE STANDARDS

All employees are expected to meet the Bank's policies and procedures including all standards for work performance, punctuality, attendance, personal appearance and personal conduct.

The Bank's management will determine the appropriate level of discipline to be imposed on a case-by-case basis, taking into consideration the disciplinary record of the employee, the work record of the employee, the employee's length of service, the nature of the employee's failure to meet the Bank's standards, mitigating factors, and any other facts that management deems appropriate under the circumstances. It is the Bank's policy to determine and implement such discipline without regard to the employee's race, sex, religion, national origin, age, disability or veteran status.

1. DISCIPLINARY PROCEDURES — These procedures serve as a guideline for handling disciplinary actions within the organization, but do not limit the Bank, nor the employee from immediate actions. They do not represent a contract. Therefore, at all times, you retain the right to terminate your employment (with or without cause), and the Bank retains the same rights, regardless of whether these procedures were followed.

When an employee fails to conform to the Bank's standards any of the following examples of disciplinary actions may be taken. Management reserves the right to administer these disciplinary actions, or any other action deemed appropriate in whatever order it deems necessary.

- a. VERBAL WARNING — The manager and the employee discuss the performance problem and the steps needed for improvement.
 - b. WRITTEN WARNING (FIRST) — The manager and the employee review the performance problem, the steps necessary to correct it and set a time frame for correction. The meeting is documented and placed in the employee's personnel file.
 - c. WRITTEN WARNING (FINAL) — The manager, employee, and Human Resources meet and discuss the performance problem, the steps to correct it and the existing time frame. The meeting is documented and placed in the employee's personnel file.
2. RECOMMENDATION FOR RELEASE — If the desired behavior modifications and/or performance improvements do not occur, termination of employment may result.
 - a. IMMEDIATE RELEASE — Bank Management reserves the right to terminate the employment of any employee immediately whether or not any of the above-described disciplinary measures have been taken.

Situations warranting immediate dismissal includes, but are not limited to, the following:

- i. Violations of Bank policies in which employees have been informed;
 - ii. Behavior that reduces compatibility and harmony among co-workers, or in any way, lessens the Bank's effectiveness with external relationships;
 - iii. Insubordination;
 - iv. Dishonesty or theft;
 - v. Other willful actions contrary to the Bank's interest.
3. OPEN DOOR POLICY — The bank encourages an employee to discuss any matter, which impacts their performance with any member of management with whom they feel comfortable. In this way, the bank believes that issues and ideas of importance to the workplace can be discussed and resolved

quickly and efficiently. However, employees may, in appropriate cases, be directed to their own manager for further discussion and resolution of the matter.

4. CONFIDENTIAL REPORTING OF VIOLATIONS OF LAWS OR POLICIES — The audit committee has engaged an internal auditor to assist the Board of Directors in overseeing management. If at anytime an employee feels another employee, regardless of the position, is engaged in behavior or actions that are contrary to bank policy or contrary to any federal or state banking law(s) but does not feel comfortable reporting to management, they can report their concerns directly to the internal auditor for investigation. The internal auditor will investigate the concern and either dismiss the report or, if justified report the findings to the audit committee. The internal auditor will not reveal the name of the person reporting the concern to any member of management or to any member of the board of directors. Additionally, all employees, officers and directors are required to fully and truthfully cooperate in any investigation of matters involving questionable or improper accounting or auditing practices. Providing false or misleading information or concealing information relative to such investigation is a violation of this policy and will result in termination of employment.

Retaliation against staff members, officers or directors who participate in investigations or proceedings regarding such unlawful or improper conduct is strictly prohibited. Good faith concerns properly presented by concerned staff members are welcomed and encouraged. Retaliation against any staff member, officer or director should be reported immediately to the Manager, Human Resources or to the President. Any such complaint will be promptly and thoroughly investigated and effective remedial action will be taken.

The Bank's internal auditor is:

Michelle T. Fowler, President
Fowler & Company, LTD.
11757 Dewberry Lane
Chester, Virginia 23831

(804) 796-5583 — Phone
(804) 350-8654 — Cell
(804) 768-8041 — Fax

mfowler@fowlerandcompany.com